

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7026**

**BILL NUMBER: HB 1577**

**DATE PREPARED:** Jan 1, 1999

**BILL AMENDED:**

**SUBJECT:** Charter schools.

**FISCAL ANALYST:** Mark Goodpaster

**PHONE NUMBER:** 232-9852

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill allows the governing body of a school corporation to issue a charter to an organizer to establish a charter school within the school corporation. It provides an appeal to the superintendent of public instruction when a charter school proposal is not accepted but at least one-third of the members of the governing body favor the proposal. It sets forth the organization, powers, method of establishment, charter contents, policies, oversight, and restrictions for charter schools. It requires the charter to establish whether collective bargaining applies to a charter school and to identify the bargaining unit for the charter school. It requires all charter school teachers to have a college degree and at least 75% of the teachers to hold a license to teach in a public school.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** This bill would allow a school corporation to sponsor a charter school or program. The school corporation would have final authority to: 1) grant a charter; 2) oversee the charter school's and program's compliance with the established charter and all applicable law; and 3) revoke the charter under certain circumstances.

All charter schools and programs would be required to follow certain state statutes. At least 75% of charter school and program teachers would be required to hold a license to teach in a public school. Those statutes not listed in the bill could be waived under a contract established between the charter school and charter program and the sponsor. A charter school may not be located in a private residence or in a home-based school setting.

An organizer that has established a charter school or program through a school corporation shall submit an annual report to the Department of Education (DOE) for informational and research purposes. DOE would incur no cost as a result of this provision.

This bill requires TRF and PERF Boards to implement their respective funds through the school corporation of which the charter school is part, subject to appropriate approvals from IRS and US Department of Labor regarding public employer qualifications. Officials from TRF and PERF state that they would incur minimal costs associated with the contacting of these agencies, and would not experience additional administrative costs once the respective school corporations would be approved.

If a student were enrolled in a charter school or program, the charter school or program would receive financial assistance for tuition support and all other state assistance programs equal to the amount the school corporation receives per student. State aid would "follow" the student. Charter schools and programs would not be eligible for additional state aid. Therefore, in terms of state tuition support, there would be no fiscal impact.

Students who attend charter schools would be counted the same as students of the school corporation who do not attend a charter school. Consequently, the establishment of a charter school and attendance by students in a charter school will not reduce a school corporation's average daily membership (ADM). **Consequently, passage of this bill will not change the overall amount of funding generated by the current school funding formula.**

However, the existence of a charter school could affect the distribution of funding within the school corporation. This is because students enrolling in a charter school may not be funded at per student basis that exceeds the school corporation's average annual per pupil expenditure for noncharter schools during the two years before the execution of the charter. Consequently, a school corporation could contract with a charter school at an amount per student that is less than the school corporation's current average revenue per student. Charter schools and programs that enroll students with disabilities may realize a proportionate share of state and federal funds directed to school corporations that educate students with disabilities, or that staff services for such students.

The following table reports the amount of lowest, average and highest tuition support per student for 1997 and 1998 and projected amounts for 1999.

	<b>1997</b>	<b>1998</b>	<b>1999</b>
	<b><u>(reported)</u></b>	<b><u>(reported)</u></b>	<b><u>(projected)</u></b>
<b>lowest</b>	\$3,715	\$3,852	\$3,961
<b>average</b>	\$4,014	\$4,198	\$4,376
<b>highest</b>	\$6,402	\$7,491	\$8,907

This table reports the lowest, average and highest transportation support per student for 1997 and 1998.

	<b>1997</b>	<b>1998</b>
	<b><u>(reported)</u></b>	<b><u>(reported)</u></b>
<b>lowest</b>	\$0.00	\$0.00
<b>average</b>	\$55.07	\$53.59
<b>highest</b>	\$187.92	\$186.25

#### **Explanation of State Revenues:**

**Explanation of Local Expenditures:** If charter schools are established and a significant shift in students to charter schools occurs, the school corporation may need to reduce staff and operations in the noncharter schools to adjust to the fewer students it needs to serve in the noncharter schools. School corporations could experience minimal costs associated with compliance oversight and revocation of charter schools and programs as well as with rejections of prospective charter schools. These costs are indeterminable at this time, and would vary from school corporation to school corporation.

**Explanation of Local Revenues:** Passage of this bill would not affect property tax levies or rates because the students enrolled in a charter school would still be included in the school corporation's ADM.

Charter schools and programs would be allowed to charge tuition only for pre-school or Latch Key programs (if the charter school or program provides these programs). In terms of local school property tax levies, there would be no fiscal impact.

**State Agencies Affected:** Department of Education, Teachers Retirement Fund, Public Employees Retirement Fund

**Local Agencies Affected:** School corporations.

**Information Sources:** Department of Education Data Bases.